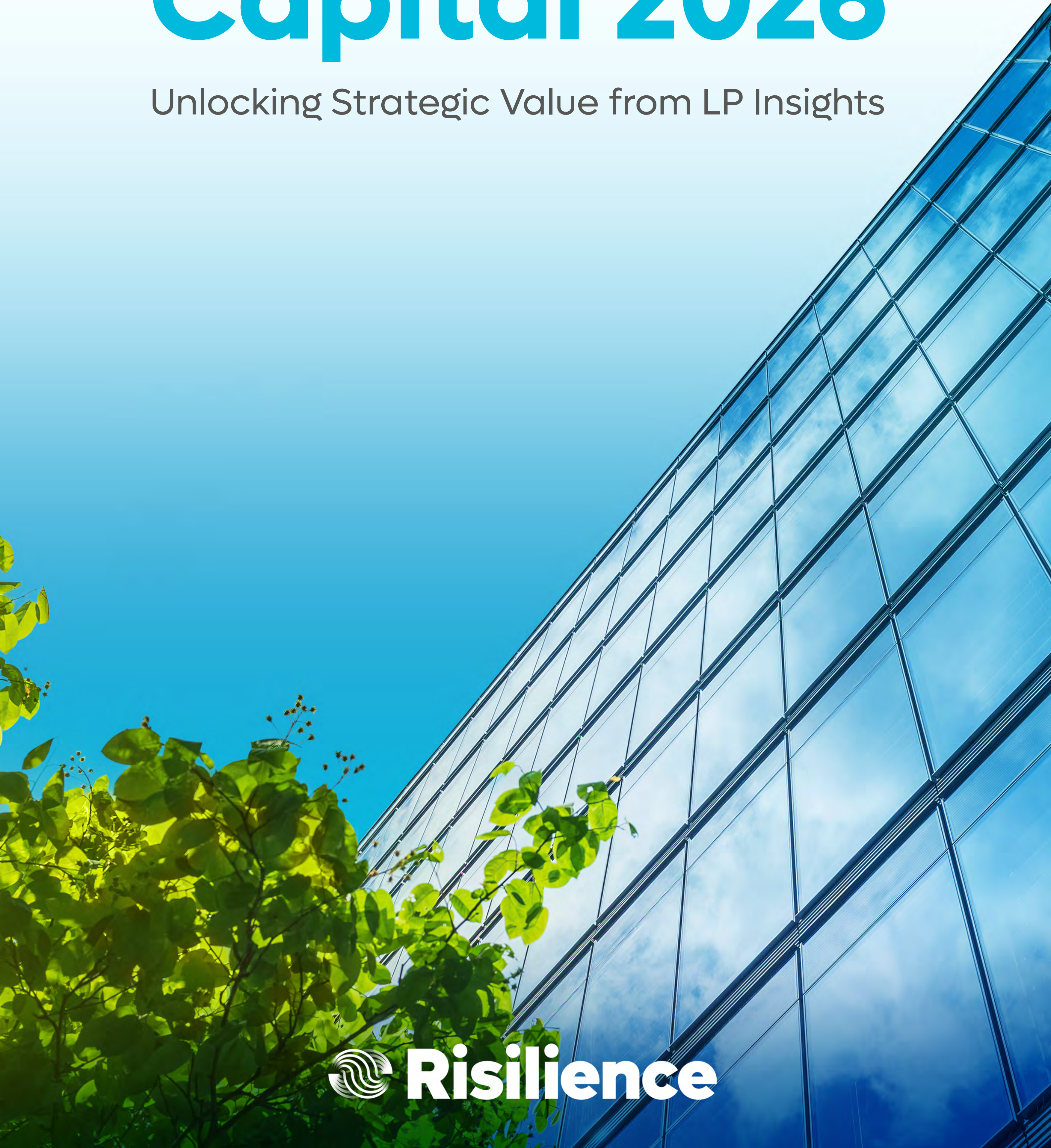
Climate and Capital 2026

Unlocking Strategic Value from LP Insights



Risilience

Methodology

The survey, conducted by Censuswide, polled 526 senior decision makers in Limited Partners responsible for ESG investing/responsible investing (30+) across North America; USA (220) and Canada (56), the UK (50) and Europe; Spain (50), Italy (50), France (50), and Germany (50). The data was collected in April 2026.

Throughout this report, Limited Partners (LPs) are grouped by their self-reported climate engagement level.

- Highly active LPs operate structured engagement programs, with defined expectations and at least quarterly contact with their General Partners (GPs)
- Moderately active LPs engage primarily through biannual reporting
- A smaller cohort with lower engagement makes up the remainder of the sample

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Summary

A fundamental structural shift has occurred in how institutional capital engages with climate risk. No longer passive consumers of GP-generated ESG reporting, LPs have evolved into active participants, co-investors in operational capability, and the primary architects of the accountability standards they demand from their managers.

While LPs are actively engaging on climate, our report findings expose a critical gap: climate risk has yet to translate into the financially rigorous, lifecycle-integrated underwriting required to actively drive and protect value creation.

Despite reported progress in GP climate risk assessment, LPs have not observed consistent, scalable, or financially material integration across funds. This disconnect creates a **critical accountability and information gap**, compounded by fragmented methodologies and a systemic inability to translate climate factors into enterprise valuation.

This challenge extends far deeper than a simple failure to report. The fundamental structural deficit is that climate risk has not yet been hardwired into the core financial levers that dictate investment value, from initial underwriting and valuation models to final exit strategies.

LP expectations for GP climate action are rising, yet these demands remain fragmented in both intensity and focus. To explore this dynamic, this report analyzes two specific investor cohorts: (1) highly engaged LPs, who take an active role in shaping GP behavior, and (2) moderately engaged LPs, who adopt a more measured approach. Crucially, a clear paradox emerges: while highly engaged LPs invest heavily in building GP capability and verifying claims, they are also the most acutely aware of the structural gaps caused by inconsistent reporting.

Ultimately, deeper engagement does not guarantee satisfaction, it simply raises the bar, generating a complex, expanding set of LP demands with no single standardized solution for GPs. This market variation will drive a widening gap in portfolio valuations and lead to clear winners and losers in the mix. The **LPs and GPs who successfully integrate climate-related value creation into their core investment strategies are the ones who will succeed – and capture outsize financial returns in a structurally shifting economy.**

Key Takeaways

- **Accountability as a Collaborative Joint Venture**

The relationship between institutional capital and climate risk has fundamentally shifted. LPs are no longer passive consumers of GP-generated ESG reports; they are active co-investors in GP capability.

- **Standardization: The LP Bottleneck**

The lack of standardized climate methodologies across GPs creates a structural underwriting bottleneck. Crucially, this friction is most severe among the market's most sophisticated players: nearly 50% of highly active LPs report that inconsistent, 'apples-to-oranges' GP data fundamentally limits their ability to benchmark performance and make informed capital allocation decisions.

- **From Static Metrics to Real-Time Value**

LPs have moved beyond the baseline of 'what are you measuring?' and now demand verifiable proof of 'how are you pricing risk and driving returns?' Top-performing GPs are responding by hardwiring sustainability into their investment theses, operating playbooks and exit strategies to generate measurable financial outcomes. To prove this integration, LPs increasingly expect real-time access via dynamic dashboards to make and monitor investment decisions.

- **Monetizing Climate Value at Exit**

Climate risk is increasingly managed during the hold period, but it consistently stalls at the exit stage – the exact moment value must be monetized. If climate-driven value creation remains opaque at the point of sale, buyers cannot price it, saddling LPs with unrecognized risk. GPs who can prove a seamless climate narrative from acquisition to exit valuation will secure a distinct, premium advantage in future fundraising.

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1 | LPs are Showing up on Climate

Climate is now a permanent fixture of the LP-GP relationship. Ninety-three percent of surveyed LPs report active climate engagement with their GPs – a finding strongly validated by broader industry research.[1]

Deeper analysis reveals a clear structural split in how this engagement is organized. Nearly half of surveyed LPs (46%) describe themselves as highly active, utilizing formal programs, defined expectations, and at least quarterly dialogue.

A similar proportion (47%) engage on a more moderate footing, relying primarily on biannual reporting. This near-even divide between structured and periodic engagement is highly consequential: the depth of an LP's engagement serves as one of the strongest predictors of both their satisfaction and their frustration. Those who engage most deeply consistently observe the greatest operational progress and hold the clearest view of the systemic challenges that remain unresolved.

93% of LPs are actively engaged with GPs on climate-related issues[2]

The traditional, pressure-response dynamic between LPs and GPs on climate is fundamentally evolving. Today, **LPs are no longer just demanding more from their managers; they are actively investing in GP climate capability.** When reporting on actions taken, nearly half of respondents are connecting GPs with data and analytics providers. A similar proportion are co-investing in reporting tools, providing subject-matter training, or delivering direct feedback on reporting expectations – an evolution led by the market's highly engaged LPs.

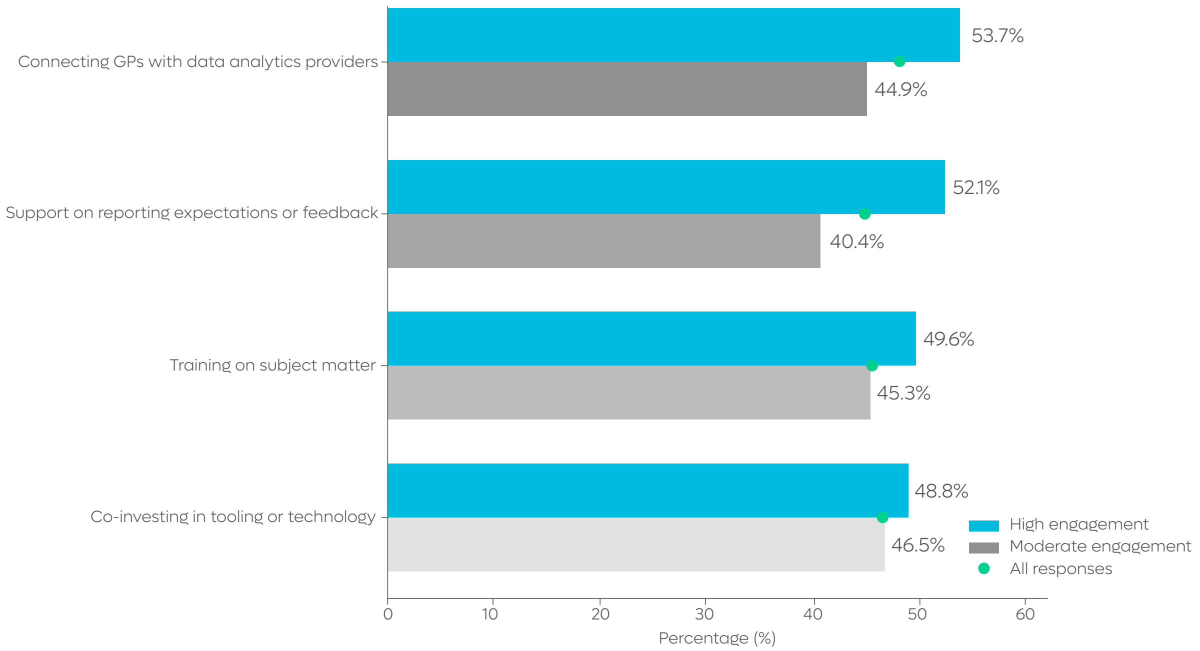

Figure 1: Approaches LPs are using to support GPs to strengthen their climate-related investment capability

2 | The Accountability and Alignment Gap

Interestingly, **nearly all surveyed LPs (97%) report that climate engagement with their GPs successfully drives measurable activity and behavioral change.** However, there's a slight variation in how strategy is deployed between LPs with different levels of engagement. As expected, highly active LPs are more driven across all approaches, but most notably in their use of one-on-one meetings and official investor letters.

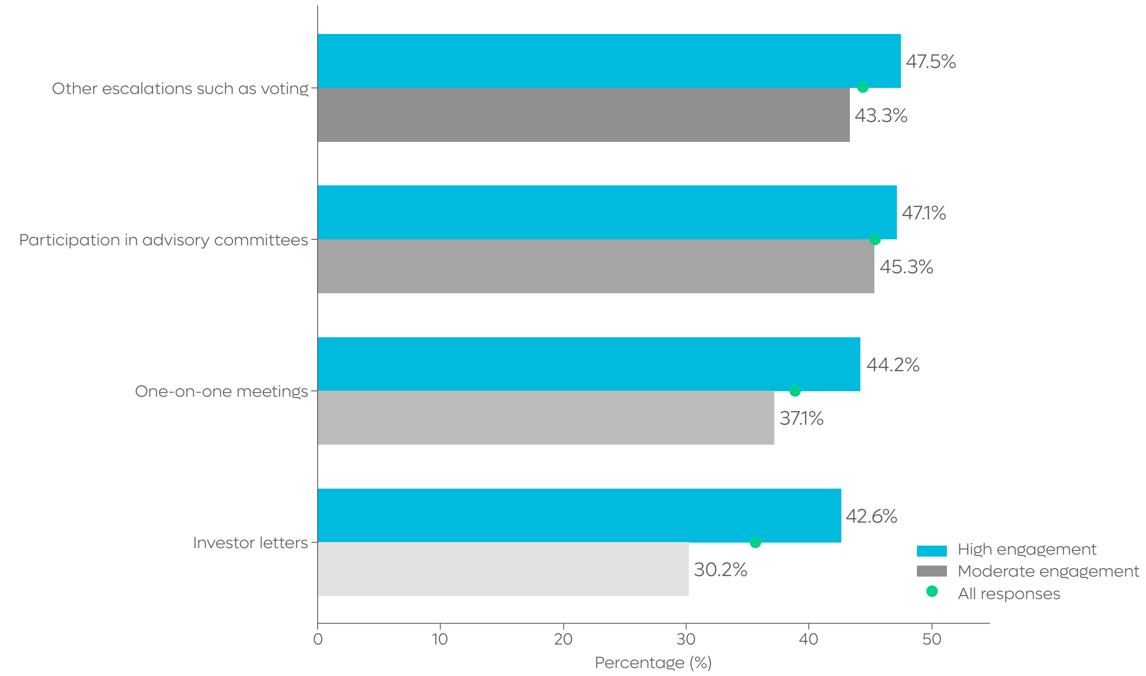

Figure 2: Strategies LPs found effective in driving engagement with GPs on climate issues

Ultimately, deeper engagement demands a shift from informal, relationship-based influence toward formal accountability levers. This transition to more structured, consequential oversight directly reflects the maturity of an LP's overall climate posture.

[1] PwC's Private Equity Trend Report 2026
https://www.pwc.de/en/private-equity/private-equity-trend-report.html

[2] Self-reported engagement levels do not differ materially between North America and Europe, pointing to a global floor of expectation that has now been established. This suggests that foundational frameworks like the Task Force on Climate-related Financial Disclosures (TCFD) and IFRS S2 have successfully created a baseline for investor-manager dialogue worldwide.

Where True Alignment Lies

While there is strong overall alignment, with eight in ten LPs believing GP climate capabilities are keeping pace with expectations, **the vast majority still acknowledge that critical gaps remain**. A meaningful discrepancy exists across investor cohorts: deeper engagement directly correlates with a stronger perception of LP-GP alignment.

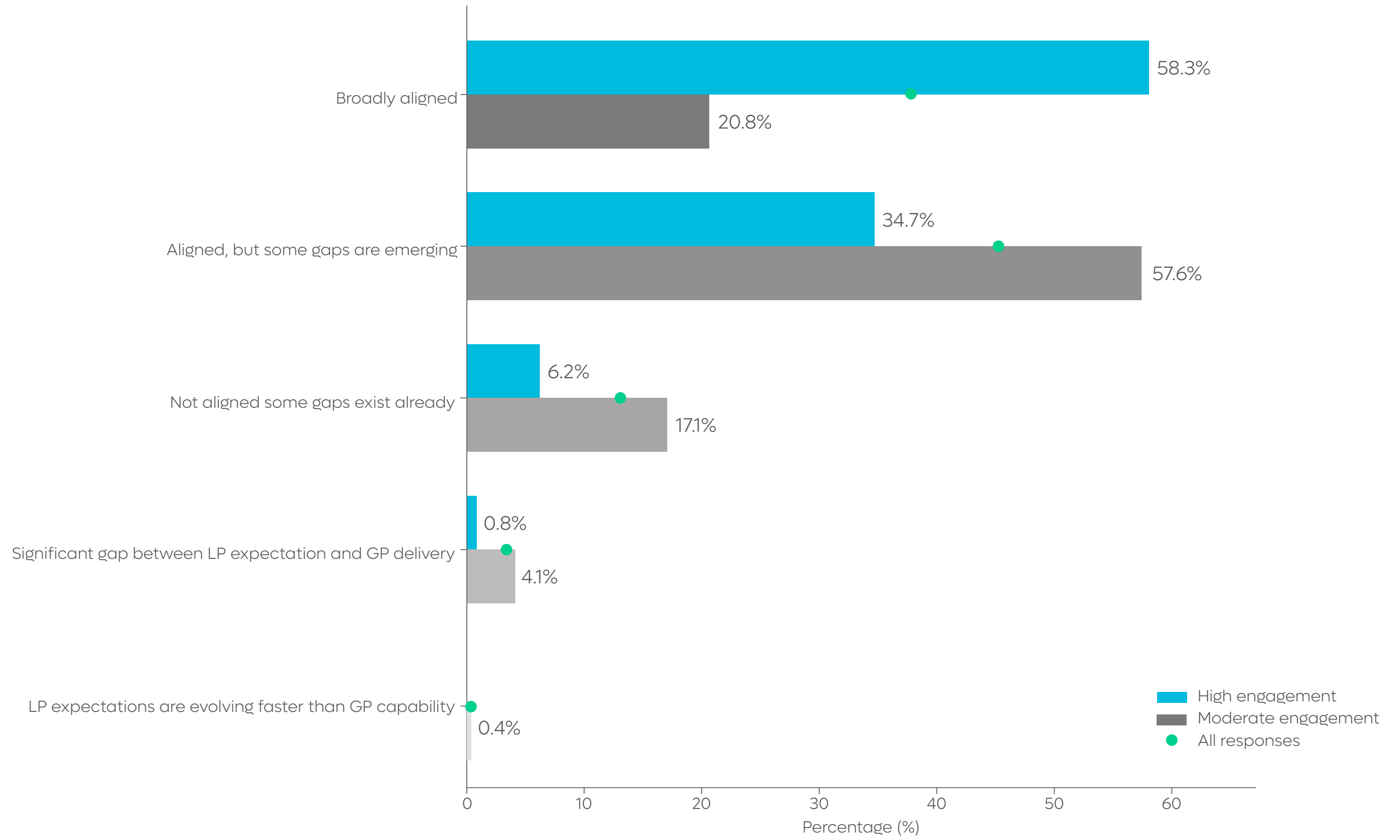

Figure 3: LP perceptions of how GPs' priorities and capabilities on climate align with their own expectations

The data reveals a clear correlation: LPs who directly invest in GP capability, via co-investments, dedicated training, and continuous feedback, see the most tangible progress. Conversely, moderately active LPs remain distanced, leaving them exposed to a substantial disconnect between their climate expectations and GP execution.

Verification of GP Climate Claims

Irrespective of LPs' efforts to encourage and pressure GPs, they remain accountable for the credibility of climate claims made across their portfolios. In the absence of independent substantiation, LPs risk basing capital decisions on figures that cannot withstand close inspection from regulators or auditors. As LP engagement has increased, so too has the scrutiny that accompanies it.

> Eight in ten LPs now undertake some form of verification of the climate-related claims made by GPs during due diligence or active ownership.

Unsurprisingly, verification rates are substantially greater among highly engaged LPs with a preference for the use of third-party specialists, compared to internal reviews. This gradient suggests that external verification is likely to become more prevalent as the gold standard as engagement depth increases across the LP market. Most **LPs currently operating without verification frameworks identify this capability gap as an urgent priority to resolve** under escalating market scrutiny.

3 | Climate as a Capital Allocation Signal

Assessments of GP climate integration expose a stark credibility gap between LP expectations and observed reality. Capital allocation remains the ultimate market lever, yet it cannot function in a vacuum. Without quantified, auditable evidence of climate factors actively driving investment decisions, climate performance cannot serve as a meaningful metric for deploying capital.

The data suggest the market has made meaningful progress but has not yet crossed the threshold into mainstream financial integration. In a promising market signal, *Private Equity International's LP's Perspectives 2026 Study* shows that LPs continue to prioritize ESG factors in capital allocation, proving resilient against a softening public narrative[3].

Despite indications that climate now influences capital allocation, execution continues to fall short. Today, less than half of LPs claim GPs successfully quantify climate opportunities in their investment decisions, and a mere third say they adequately quantify climate risk. While **the market has made progress, it has yet to reach the inflection point where climate factors are systematically priced into core financial valuations.**

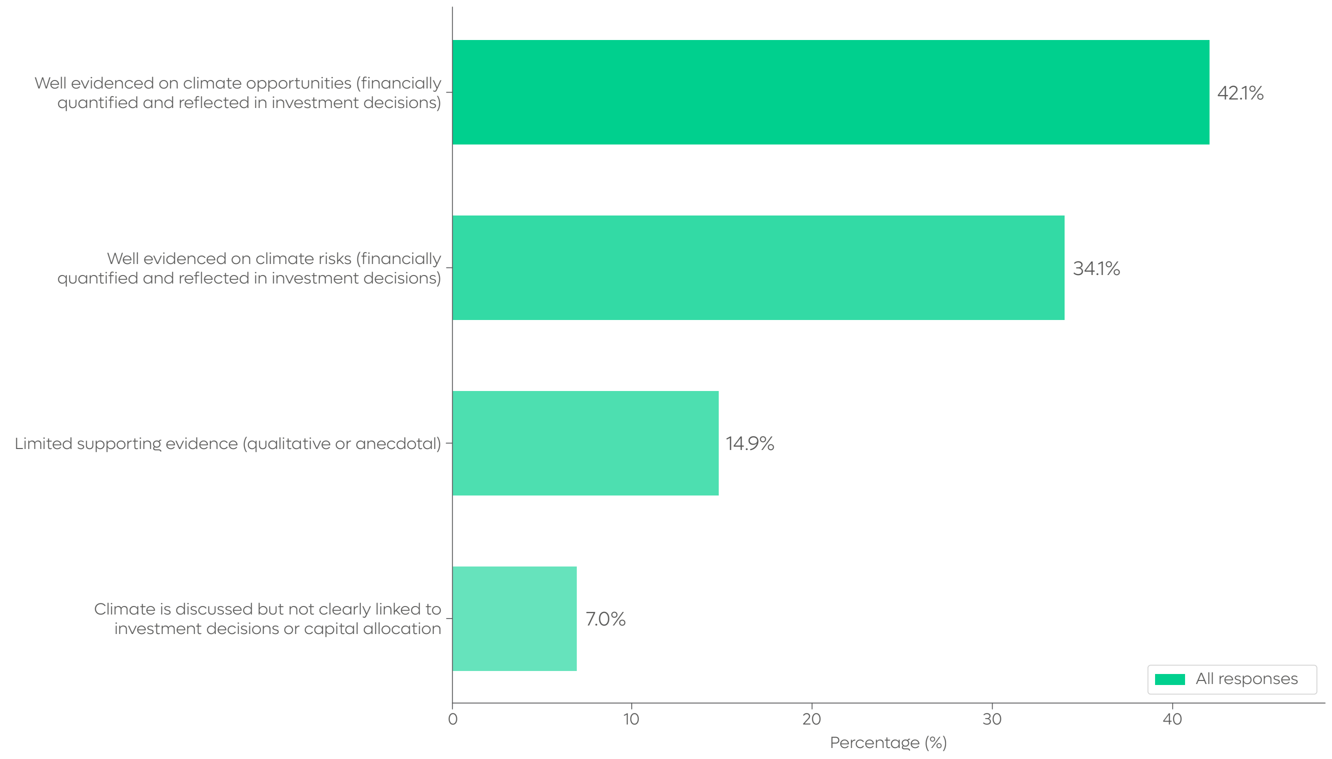

Figure 4: LPs' views on how well GPs are evidencing climate-informed investment decisions

[3] Private Equity International's LP's Perspectives 2026 Study https://www.privateequityinternational.com/lp-perspectives/.

Deeper engagement does not automatically guarantee satisfaction, but it inevitably raises expectations. As LP maturity grows, the standard for credible climate integration will rise. **GPs who proactively invest in this capability today will secure a distinct competitive advantage**; those who delay risk finding that the market standard has shifted far beyond their reach.

LP expectations for GP climate assessments reveal no single dominant focus. Instead, responses are tightly clustered: the eight categories fall within a narrow six-percentage-point band, providing a clear signal of a highly diversified and maturing market.

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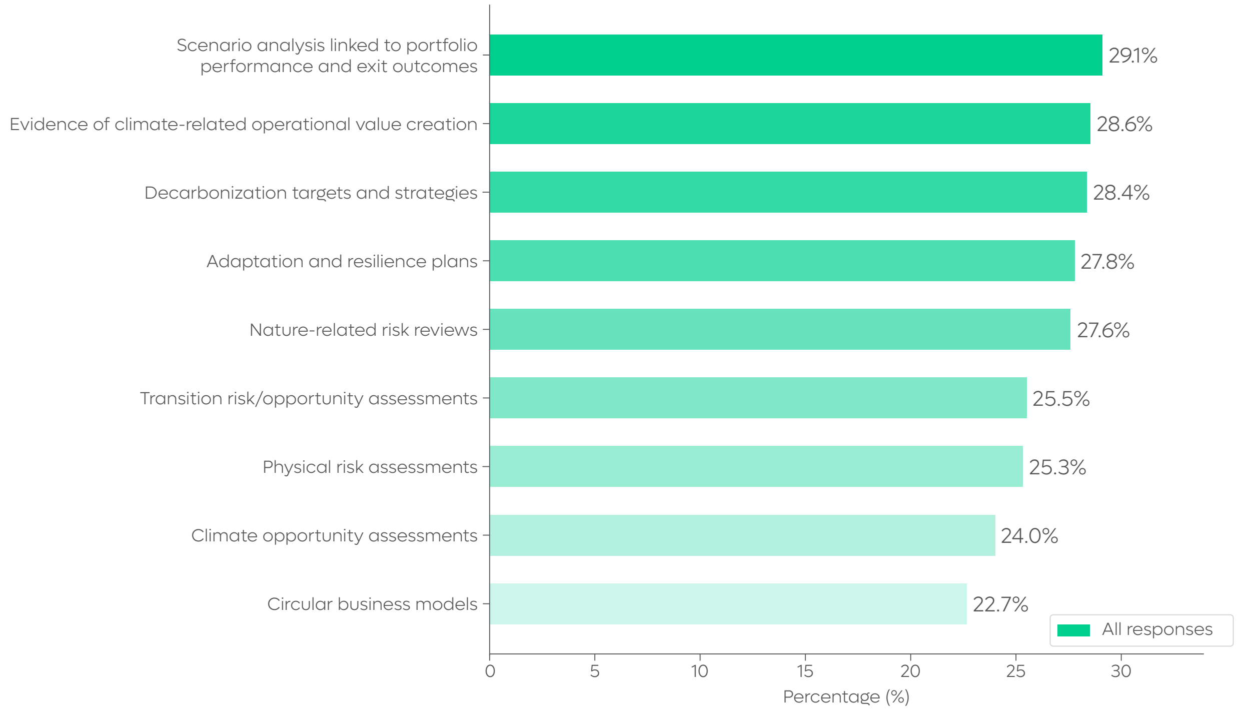

Figure 5: Climate initiatives that LPs would like GPs to prioritize

This lack of a single LP priority has significant operational implications for GPs, who cannot simply optimize their climate reporting around a single focal point. **Rather than representing a temporary transition phase destined for consolidation, this fragmentation is highly likely to persist** as market demands expand unilaterally. GPs who delay action in anticipation of a single, consolidated standard risk falling severely behind.

4 | The Comparability Problem

Across all climate assessments, the lack of standardized methodologies among GPs creates a structural barrier for LPs trying to compare managers or funds. Crucially, comparability is the prerequisite for market competition. Without it, LPs cannot efficiently direct capital to top performers, enforce accountability among laggards, or price climate-related risk. This fragmented landscape forces even the most sophisticated LPs to underwrite risk on an 'apples-to-oranges' basis.

> Nearly half of highly active LPs state that methodological inconsistency severely limits their ability to compare managers and make informed investment decisions.

This is not a problem that disclosure volume alone can solve. Resolving it requires a convergence on methodology – a standard the market is still far from achieving.

While nearly half of all LPs struggle with inconsistent GP methodologies, a third report that these discrepancies severely limit their ability to compare managers. Crucially, this comparison gap escalates among the market's most sophisticated players: nearly 50% of highly active LPs state that methodological inconsistency severely limits their ability to compare managers and make informed investment decisions.

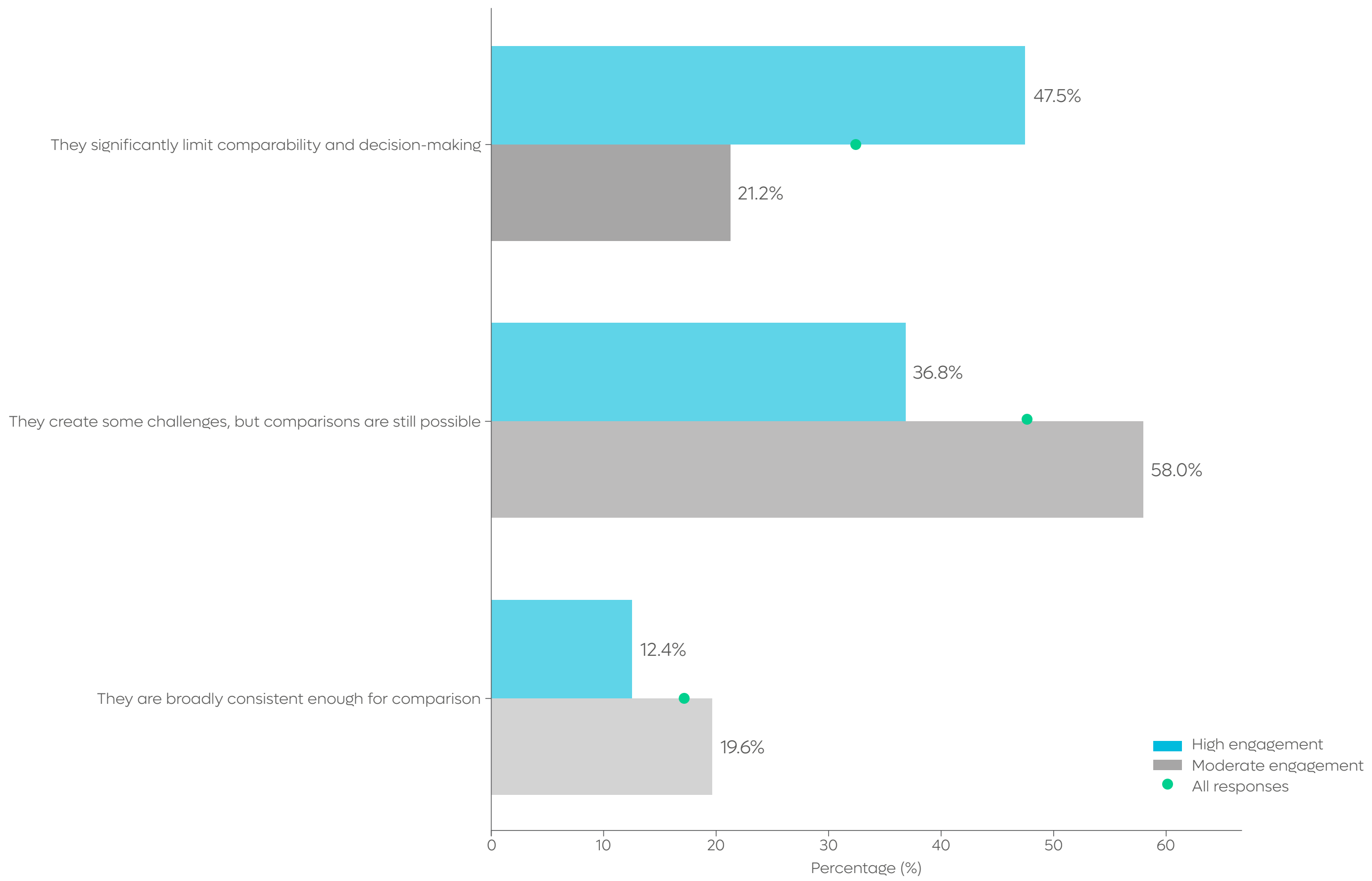

Figure 6: LP concerns about the methodological consistency in GPs' climate analyses

A clear pattern has emerged: the most highly engaged LPs consistently encounter the greatest friction with GP climate reporting. At scale, this tension impedes LPs from making informed capital allocations, undermining the integrity of the climate signals the broader market relies on.

Where the Barriers Lie

Diagnosing this persistent alignment gap requires looking beyond methodology to the underlying organizational constraints of GPs. LPs identify four primary operational bottlenecks to achieving methodological consistency and driving transparent investment action. Nearly half of all respondents reported that GPs actively struggle with each one of these challenges.

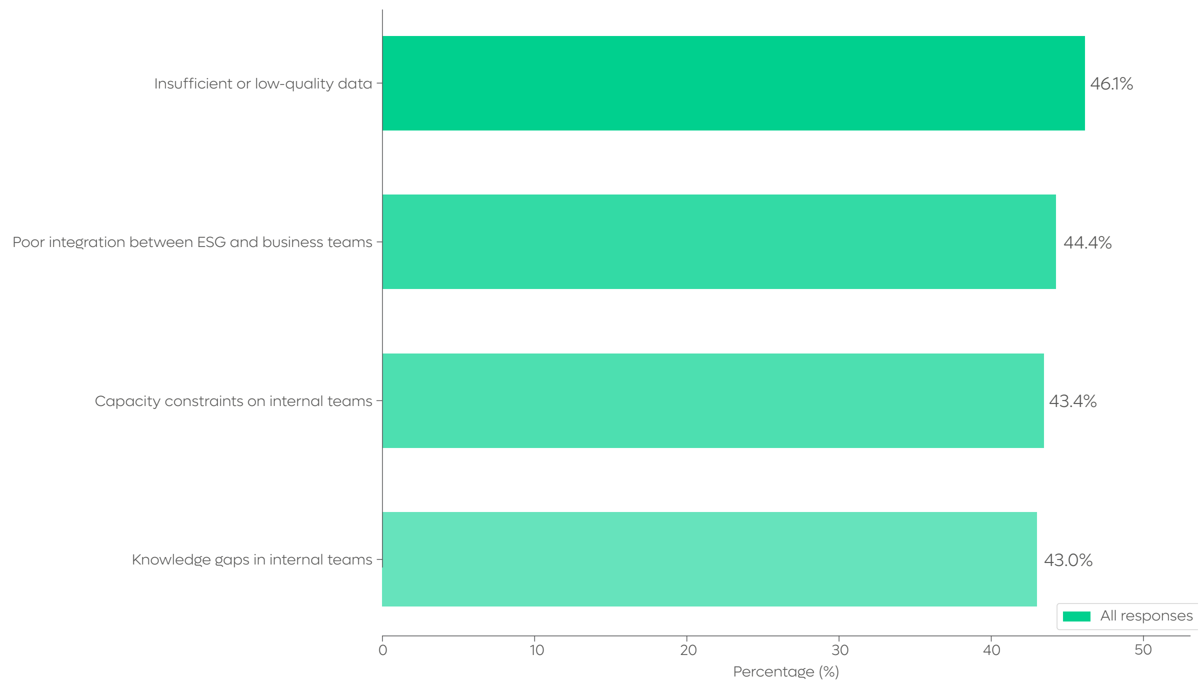

Figure 7: Primary challenges that prevent GPs from effectively translating credible climate insights into concrete investment actions and transparently reporting on the results

Crucially, none of these primary barriers are purely technical; instead, data quality issues sit alongside constraints in team structure, capacity, and expertise. This reality reframes climate reporting for GPs as an organizational design challenge rather than a simple measurement exercise. In line with findings from BNP Paribas, the market frontrunners will be the firms that prioritize investments in people and operational processes as well as digital tools[4].

[4] BNP Paribas ESG Survey 2025

5 | The Case for Climate-Driven Value Creation

While acknowledging barriers remain, **LPs have shifted their focus: they are no longer asking what GPs are measuring, but rather how they are utilizing that data to drive performance.** This mirrors FTI Consulting's 2026 private capital analysis, which observes that market-leading funds are those that fully integrate sustainability into their investment theses, operating playbooks, and exit strategies to generate measurable results[5].

Our data points to the same conclusion: LPs are rapidly moving beyond compliance reporting to prioritize active value creation. To build LP confidence in climate-related underwriting, GPs must navigate a highly diverse spectrum of investor demands, ranging from robust governance frameworks to clear evidence of climate-driven financialization.

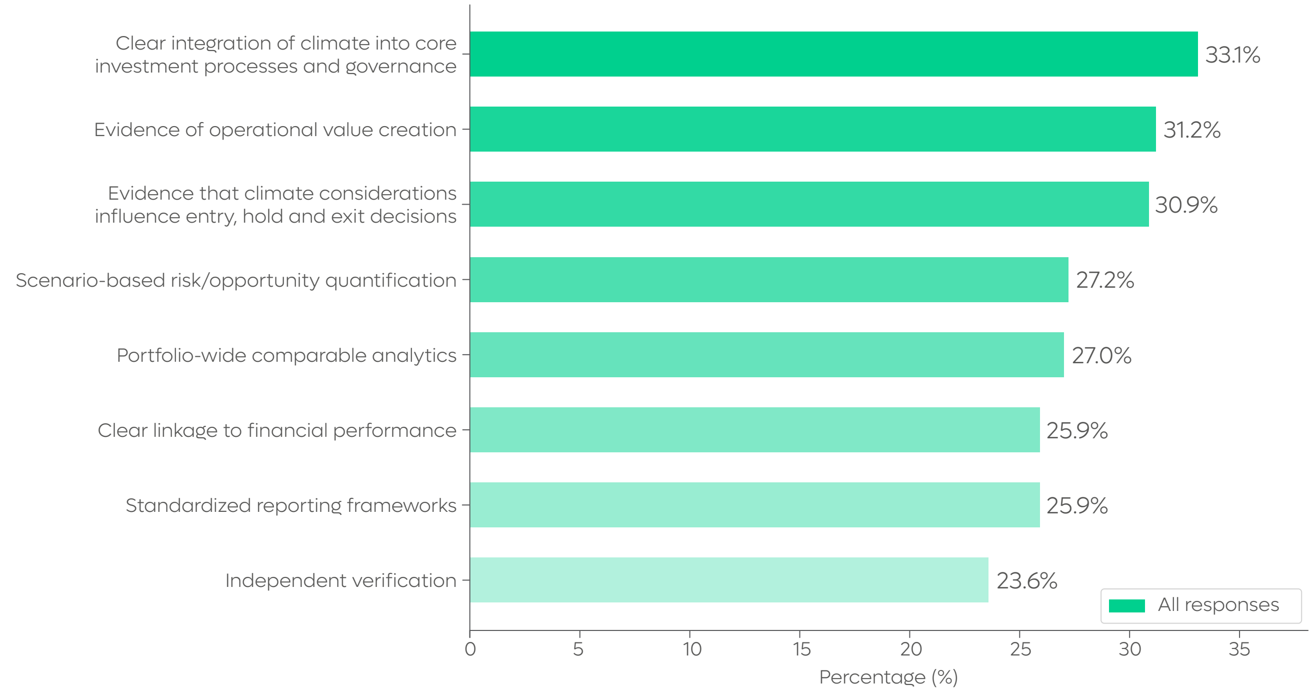

Figure 8: Actions that would improve LP confidence in a GP's climate-related investment decision making

Beyond the metrics shown above, the FTI Consulting report emphasizes that LPs are moving away from retrospective reporting, demanding 'real-time' access via dynamic dashboards. This shift presents a dual challenge for GPs: they must not only aggregate a broad range of rigorous climate evidence but also maintain the operational infrastructure to deliver it with continuous transparency.

> LPs are rapidly moving beyond compliance reporting to prioritize active value creation.

[5] FTI Consulting ESG and Sustainability Trends for Private Capital in 2026

6 | The Exit Gap

The disconnect between LP expectations and GP performance is most acute at the exit stage. If GPs fail to make climate value creation visible during a transaction, buyers will not price it, forcing LPs to absorb unrecognized risk. Our survey confirms that LPs are acutely aware of this deficit, recognizing that poor exit disclosure directly translates to stranded financial value.

LPs are demanding clear evidence that climate risk is managed across the entire investment lifecycle. Nearly a third **prioritize scenario analysis tied to portfolio performance and exit outcomes**, with a broad consensus across all LP maturity tiers that GPs must document how climate factors shape entry, hold, and exit decisions. Despite this clear mandate, verifiable evidence of climate influence on final transaction exits remains notably absent.

While GPs have made clear strides incorporating climate risk into deal origination and portfolio management, exit execution fails to keep pace. This creates a critical visibility gap at the exact moment climate-driven value creation should be most verifiable. Ultimately, GPs that overcome the structural barriers identified in this report, demonstrating a seamless climate narrative from acquisition thesis through operational improvement to final exit positioning, will command a significantly differentiated and compelling capability in the market.

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Conclusion: A Converging Market

LP engagement on climate is well established, yet **the private capital market is crossing a critical threshold: moving from questioning whether climate risk matters to actively partnering on pricing it.**

As this report reveals, **climate accountability is no longer a top-down compliance mandate, but a collaborative joint venture**. LPs have stepped up as active co-investors in GP capability, working to close the structural gap between available sustainability data and financial valuation.

The friction we observe today, driven by inconsistent methodologies and a lack of exit-stage evidence, is simply the sound of an industry outgrowing its initial reporting frameworks. Closing this gap requires a mutual commitment to move climate risk out of siloed sustainability teams and directly into the core financial mechanics of deal-making.

The dynamics now unfolding will trigger a powerful, compounding shift in capital allocation. As pioneering GPs begin to monetize genuine climate-financial integration through exit premiums and superior returns, a market-wide flywheel will take hold. Faced with undeniable performance dispersion, even moderately engaged LPs will **pivot to consolidate their capital behind these proven winners – accelerating a structural flight of capital away from lagging managers.**

GPs must recognize that delaying this transition by actively pursuing low-scrutiny capital in the near term is a short-sighted strategy. As climate expectations steadily advance, managers who opt for the path of least resistance today will inevitably find themselves exposed by a severe step-change in fundraising, valuation, and exit expectations when it matters most.

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About Risilience

Risilience, a leading climate risk and analytics software provider, is trusted by corporates and financial institutions worldwide. Its award-winning platform, Riise, translates complex environmental data into financially quantified insights, helping businesses accurately quantify, plan for, and mitigate climate and nature-related risks. By combining advanced AI-driven modeling with enterprise-grade analytics, Risilience enables organizations to seamlessly embed sustainability into core financial and strategic decision-making.

Founded in 2021 as a spin-out from the Cambridge Centre for Risk Studies at the University of Cambridge Judge Business School, Risilience has offices in the UK and US and is backed by a team of multidisciplinary experts and partners.

In 2023, Risilience was awarded the prestigious King's Award for Enterprise in the category of Innovation for their work in climate risk analytics. This recognition highlights their technological advancements in helping companies and financial institutions assess and manage climate-related risks, aligning with their reputation as a top firm in the Verdantix green and sustainability software benchmark.

To learn more, visit risilience.com.

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